

MARKETING COMPANY FOR MICROENTERPRISE OWNERS IN THE ATLANTIC COAST REGION

(TC-99-04-00-1-CO)

EXECUTIVE SUMMARY

Requester:	Fundación Mario Santo Domingo (FMSD)		
Executing agency:	Fundación Mario Santo Domingo (FMSD)		
Amount and Source:	MIF Facility III-A nonreimbursable:	US\$	850,000
	Local: FMSD and other partners:	<u>US\$</u>	<u>720,000</u>
	Total:	US\$	1,570,000
Terms:	Execution period:	48 months	
	Disbursement period:	54 months	
Objectives:	The project objective is to strengthen the competitiveness of microenterprises in Colombia's Atlantic Coast region by giving them access to markets through the provision of specialized marketing services. The specific project objectives are to: (i) form a partnership as basis for the establishment of a specialized marketing company in the Atlantic Coast region (ECA) serving the microenterprise sector; (ii) lay the necessary foundation for the operation of the ECA along corporate lines, grounded in financial and institutional sustainability considerations; and (iii) help microenterprise owners market and tailor their products to meet demand.		
Description:	The project will be divided into two phases. Phase 1 will be devoted to the official incorporation of the ECA and to ensuring that it has an appropriate organizational structure, which will be accomplished through the following activities: (i) establishment of the ECA by the partners in this undertaking, culminating in its official incorporation and registration; and (ii) establishment of an administrative and management framework laying the necessary groundwork for the commencement of business by the ECA. This includes the design of a business plan, in-depth market studies to identify target subsectors, the framing of corporate policy, the design of services envisaged, the preparation of operating manuals and the drafting of necessary regulations. Only 42% of the US\$117,000 budget required for phase 1 of the project will be financed by the MIF.		

Phase 2 of the project will be devoted to starting up the ECA's operations and financing the following three components: (i) development of ECA marketing tools and technical capacity; (ii) establishment of a production support fund to finance targeted, production-related advisory and technical assistance services provided by third parties; and (iii) establishment of a fund for discounting bills and making advances for the purchase of raw materials. The financing for phase 2 of the project is contingent upon the success of phase 1 and will be subject to a suspension, contingency or cancellation clause.

Special contractual clauses:

The FMSD will furnish terms of reference for the consultants in charge of the activities associated with phase 1 of the project to the Bank's satisfaction prior to the first disbursement of funding for this phase.

Disbursements for **phase 2** activities are subject to presentation of the following items by the FMSD to the Bank's satisfaction: (i) documentation attesting to the incorporation and registration of the new ECA following guidelines previously agreed upon with the Bank, providing evidence of the establishment of the ECA by the partners with authorized subscribed, and paid-in capital equivalent to US\$1,316,000, US\$658,000 and US\$104,000 respectively (see paragraphs 3.2, 5.1, and 7.2); (ii) evidence concerning the liquidation or disposition of FUNCAR and, as the case may be, concerning the transfer of FUNCAR assets and personnel to the ECA (see paragraph 4.3); (iii) a certified copy of the agreement under which the FMSD assigns to the ECA its responsibilities and rights associated with the implementation of phase 2 of the project (see paragraph 4.1); (iv) a business plan, market studies, corporate policies, operating manuals and internal regulations demonstrating the economic, financial and institutional capacity and feasibility of the ECA (see paragraphs 3.2 and 7.2); (v) evidence that the marketing services regulations have been put into practice by the ECA (see paragraph 4.7); and (vi) terms of reference for the four experts in charge of the activities associated with phase 2 of the project (see paragraphs 3.5 and 8.2). Failure by the FMSD to meet these requirements within a period of 12 months from the date of signature of the financing agreement will give the Bank the right to suspend, condition or cancel all undisbursed project funding. The Bank will hire a contractor to conduct a mid-term review verifying compliance with these conditions.

Exceptions to Bank policy:

None.